



Best Practices of
Governance for State
Statutory Bodies in

SARAWAK

AMBROSE ANAK DANGO

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Ambrose anak Dango

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“This book is a must read and own, if you wish to provide world class service quality to your customers and stakeholders.”

Assoc. Prof. Dr Ahi Sarok, Universiti Malaysia Sarawak

“Any organization or country will go bust or bankrupt without best practices of governance as discussed in this book.”

YB John Ilus, Sarawak State Legislative Assembly

“This book is interesting and enriching to read because it discussed clearly the relationship between best practices of governance and the quality of service given by agencies or organizations.”

YB Miro Simuh, Sarawak State Legislative Assembly

“Society without integrity is doomed to fail.”

YAB Datuk Patinggi (Dr) Abang Haji Abdul Rahman Zohari Tun Abang Haji Openg, Chief Minister of Sarawak.

“I have the honour to read your thesis. Well done. Customers and stakeholders expect high quality services and no less. Organisations in turn have the obligation to meet this expectation. Thus the framework on best practices of governance recommended in this book is practical and appropriate for organizations to adopt and follow. Indeed, this book is a worthy addition to the literature on the subject”.

YB Datuk Talib Zulpilip, Minister in the Chief Minister’s Office of Sarawak (Integrity and Ombudsman).

“Human resource with integrity, honesty, transparency and accountability is a must for any individual, organization, society or country to progress and develop.”

YB Dato’ Sri (Dr) Richard Riot Anak Jaem, Minister of Human Resource, Malaysia.

Preface

According to Chief Minister Department report (2008) the total number of public complaints on poor level of services received by State Statutory Bodies in Sarawak increased to 629 in 2007 as compared to 520 in 2006. This is one clear evidence that the State Statutory Bodies have not been able to deliver the level of services up to the expectation of the customers and stakeholders in Sarawak due to unsatisfactory governance. This problem is being corroborated by the finding in the Auditor-General report on State Statutory Bodies in Sarawak (2010 and 2016). The Sarawak government is responsible to fulfill the needs, hope and aspiration of its citizen with limited resources available through best practices of governance.

The main objective of this study is to evaluate the best practices of governance and its effects on the level of services in State Statutory Bodies in Sarawak. These best practices of governance were based on literature reviews from developed and developing countries and from the experiences of State Statutory Bodies in Sarawak. The level of services refers to the quality of services given by State Statutory Bodies to its stakeholders and the level of services are evaluated by survey questionnaire and interviews. Hence, the specific objectives of this book are to identify factors in best practices of governance for State Statutory Bodies in Sarawak, the predictor in best practices of governance and to recommend a framework of best practices of governance that can assist State Statutory Bodies in Sarawak. The comprehensive and extensive literature reviews on governance in the public sector in developing and developed countries clearly show the existence of factors in best practices of governance in the public sector. This finding is backed up by the empirical evidence obtained through questionnaires survey and rigorous data analysis. An analysis on the feedback and recommendations from the open-ended questions further reinforce the

existence of best practices of governance in State Statutory Bodies and its correlation to the level of services provided by State Statutory Bodies to its customers and stakeholders. The questionnaire was constructed using 50 items related to best practices of governance and distributed to 700 senior officers and employees of the State Statutory Bodies, Board of Directors, Audit Committees and Auditors yielding a response rate of 61 per cent. The respondents are well educated, knowledgeable and vastly experienced in best practices of governance in State Statutory Bodies in Sarawak. Thus, their feedback and comments on the subject matter are reliable and accurately reflect the actual practices of governance in their respective agencies. Factorial analysis involving exploratory and confirmatory factor highlighted the four new factors which determine the level of services rendered by State Statutory Bodies to its customers and stakeholders. In fact, the prime contribution of this study is the identification of these factors on best practices of governance in State Statutory Bodies. This identification of factors is very crucial as they will have direct impact on the level of services in State Statutory Bodies. In fact, the findings suggested that the best practices of governance is highly correlated with the level of services.

The result of this study had determined four factors in best practices of governance in State Statutory Bodies in Sarawak namely; Human Resource, Process, Control and Direction (Cadbury Report, 1992; Monks and Minow, 1995; United Nation, 2000; Aziuddin and Arfah, 2009). A multiple regression analysis indicates that all the factors contributed significantly towards explaining the variance in the overall level of services in the State Statutory Bodies. The findings also suggest that the correlation between the four factors and the level of services is highly positive. Finally, this study suggests a suitable and practical framework of best practices of governance for all State Statutory Bodies in Sarawak. Customers and stakeholders expect high quality services and no less. Organisations in turn have the obligation to meet this expectation. Thus the framework on best practices of governance

recommended in this book is practical and appropriate for organizations to adopt and follow.

However, this framework is only a general proposal and each State Statutory Bodies have to fine tune the framework according to each individual requirement and the uniqueness of each State Statutory Body at that period of time. In order to ensure the effectiveness of this framework, the State Statutory Bodies should have in place strategies to transform the human capital, embrace human governance, adopt knowledge management, restructuring and process re-engineering. Other suggestions include implementing the value for money model through on line services; reviewing the existing ordinances, rules and regulations; developing the integrity strategy; developing effective risk and strategic management; introducing Key Performance Indicators; implementing policy innovation and strategic value creation and adopting the blue ocean strategy. All these strategies will help in strengthening the best practices of governance and thereby improving the level of services in the State Statutory Bodies in Sarawak. This will enhance the competitiveness of Sarawak to compete with the best in the world and finally making Sarawak a developed state by 2020.



Dr Ambrose Anak Dango, PhD in Accounting

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I am forever grateful to the Universiti Teknologi MARA, especially the Faculty of Accountancy and the Institute of Post Graduate Studies, for giving me the chance to build myself from a humble village boy to what I am today.

To all the focus groups, expert practitioners of governance and respondents and most of all my family members and friends who have supported me through the years in completing this study, for without

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May GOD bless all of you with good health, happiness and prosperity in this world and in the world to come. Thank you very much.

This precious book is dedicated to my ever loving mum, Kilingkung anak Tanju and to my patient wife, Selia anak David Koki.

My wonderful children Naven anak Ambrose, Nadia anak Ambrose, Navin anak Ambrose, Noah anak Ambrose and Adam anak Ambrose.

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CONTENTS

PREFACE	<i>vii</i>
ACKNOWLEDGEMENT	<i>xi</i>
TABLE OF CONTENT	<i>xiii</i>
LIST OF TABLES	<i>xvi</i>
LIST OF FIGURES	<i>xvi</i>
LIST OF ABBREVIATIONS	<i>xvii</i>
FOREWORD	<i>xix</i>

CHAPTER ONE : INTRODUCTION	<i>1</i>
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CHAPTER TWO : GLOBAL DEVELOPMENT OF GOVERNANCE

The Concept of Governance	<i>20</i>
Governance is as Old as Human Civilization	<i>20</i>
Collaborative Governance	<i>21</i>
The Development of Governance in other Countries	<i>25</i>
Governance Issues	<i>27</i>
The Concept of Best Practices	<i>32</i>
Principles of Best Practices of Governance	<i>36</i>
Significance of Best Practices of Governance in the Public Sector	<i>43</i>
Factors in Best Practices of Governance	<i>46</i>
Process	<i>46</i>
Control	<i>52</i>
Direction	<i>62</i>
Human	<i>69</i>
Human Governance	<i>75</i>
Theories Involved in Governance	<i>76</i>
The Agency Theory	<i>77</i>
Kuhn Theory	<i>78</i>

Complexity Theory	79
New Public Management Theory	79
Political Theory	83
Feedback Theory, Social Influence Theory and Theory of Social Power	84
Critical Evaluation of the Extent to Which These Theories are Applicable to State Statutory Bodies in Sarawak	84
Level of Services	86
Conceptual Framework of Best Practices of Governance for State Statutory Bodies in Sarawak	89
Conclusion	95

CHAPTER THREE : THE DEVELOPMENT OF GOVERNANCE IN MALAYSIA AND SARAWAK

The Development of Governance in Malaysia and Sarawak	98
Best Practices of Governance for Statutory Bodies in Sarawak and Malaysia	104
The Importance of Best Practices of Governance to Sarawak	107
Conclusion	112

CHAPTER FOUR : DEVELOPING A FRAMEWORK OF BEST PRACTICES OF GOVERNANCE FOR STATE STATUTORY BODIES IN SARAWAK

Socio-Demographic Background of Respondents	114
Factors in Best Practices of Governance for the State Statutory Bodies in Sarawak	125
Multicollinearity	126

The Proposed Framework of Best Practices of Governance for State Statutory Bodies in Sarawak	128
Conclusion	134

CHAPTER FIVE : CONCLUSIONS

Human Resources Strategy	146
Transforming the Human Capital	146
Embracing Human Governance	148
Process Strategy	150
Restructuring of State Statutory Bodies	150
Introducing Process Re-engineering Strategy	151
Control Strategy	152
Reviewing of Existing Law, Rules and Regulations	152
Developing the Integrity Strategy	153
Direction Strategy	155
Introducing Key Performance Indicators	155
Implementing Policy Innovation and Strategic Value Creation	157
Implications on Theory	158
APPENDICES	161
REFERENCES	173
INDEX	215

LIST OF TABLES

Table	Title	Page
Table 4.1	Respondents Demographic Profile	<i>114</i>
Table 4.2	Kaiser-Meyer-Olkin and Barlett’s Test	<i>118</i>
Table 4.3	Results of Factor Analysis (Factor Loadings)	<i>121</i>
Table 4.4	Variance Inflation Factor (VIF)	<i>127</i>

LIST OF FIGURES

Figure	Title	Page
Figure 2.1	The Conceptual Framework of Best Practices of Governance for State Statutory Bodies in Sarawak	<i>92</i>
Figure 4.1	Scatterplots for Multivariate Data Normality (Method 1)	<i>117</i>
Figure 4.2	Scatterplots for Multivariate Data Normality (Method 2)	<i>117</i>
Figure 4.3	The Scree Plot	<i>120</i>
Figure 4.4	The Proposed Framework of Best Practices of Governance for State Statutory Bodies in Sarawak	<i>130</i>

LIST OF ABBREVIATIONS

ACA	Anti-Corruption Agency
ADB	Asian Development Bank
AG	Auditor - General
ARM	Agency Risk Management
AGFI	Adjusted Goodness-of-fit Index
ANAO	Australian National Audit Organization
ANOVA	Analysis of Variance
BSC	Balance Scorecard
CAS	Complex Adaptive System
CAT	Competency, Accountability and Transparency
CDRC	Corporate Debt Restructuring Committee
CEO	Chief Executive Officer
CFI	Comparative Fit Index
DANA HARTA	National Asset Management Company
EFA	Exploratory Factor Analysis
EU	European Union
FOMCA	Federation of Malaysian Consumers Associations
GDP	Gross Domestic Product
GFI	Goodness-of-fit Index
GLC	Government-linked Company
IFAC	International Federation of Accountant
IFI	Incremental Fit Index
KMO	Kaiser-Meyer-Olkin
ICT	Information and Communication Technology
ICU	Implementation Coordination Unit
KPI	Key Performance Indicators
LISTREL	Analysis of Linear Structural Relationship by Method of Maximum Likelihood
LNG	Liquefied Natural Gas
MACC	Malaysian Anti Corruption Commission
MASA	Measure of Sampling Adequacy
MAS	Malaysia Airlines System

MAMPU	Malaysian Administrative Modernisation and Management Planning Unit
NEAC	National Economic Action Council
NERP	National Economic Recovery Plan
NNFI	Non-normed Fit Index
NPM	New Public Management
MCAM	Muslim Consumers Association Malaysia
OECD	Organization for Economic Co-operation and Development
PLI	Poverty Line Index
PMD	Prime Minister Department
PWC	Price WaterHouse Coopers
PSD	Public Service Department
RECODA	Regional Corridors Development Authority
RMSEA	Root Mean Squared Error of Approximation
SPSS	Statistic Programme for Social Science
TM	Telekom Malaysia Berhad
SEDC	Sarawak Economic Development Corporation
SHC	Sarawak Housing Commission
SCORE	Sarawak Corridor of Renewal Energy
SSB	State Statutory Bodies
UNESCAP	United Nation Education and Social Commission for Asia and Pacific
UK	United Kingdom
UN	United Nation
UNDP	United Nation Development Programmes
USA	United State of America
VIF	Variance Inflation Factor

FOREWORD

Datuk Patinggi Tan Sri (Dr) Haji Adenan Bin Haji Satem

The Most Honourable, Chief Minister of Sarawak, Datuk Patinggi Tan Sri (Dr) Haji Adenan Bin Haji Satem

This book written by Dr Ambrose Anak Dango on “Best Practices of Governance of the State Statutory Bodies in Sarawak” is based on his PhD research that might well be the first of its kind in the academia world. The emergence of global and digitalized economy, advances in technology, innovation and creativity, increased societal demand and expectations and the need to provide more social services with limited resources suggests the dire need for best practices of governance in both the private and public sector not only in Sarawak and Malaysia but in the whole world. This situation is aggravated by to the numerous and huge amount of financial scandal, fraud, corruption, abuse and wastage happening in both the developing and developed countries. The world largest frauds, Lehman Brothers Investment Bank (USD600 billion) in 2008 and Enron (USD87 billion) scandal, the US energy giant in 2001 occurred in the USA where the standard of good governance encompassing transparency and accountability is claimed to be higher. Why is massive fraud still happening even in developed countries? Locally and most recently in Malaysia, the so-called Sabah Water Department Watergate (RM153 million) is a classic case of fraud, corruption, abuse of power and wastage occurring. The question is why is this happening? Can it be prevented? The attempt to answer those questions in this book, the ensuing findings and recommendations towards good governance should be an interesting read.

Hence, this book is not only timely but necessary given the all important role of best practices of governance in ensuring excellent

and best level of services given by the State Statutory Bodies in Sarawak to the stakeholders and customers. The demand for continuous improvement in the service provision by the stakeholders of private and public services signifies a distinct and powerful push for best practices of governance in the private and public sectors. Global pressures for economic competitiveness have been increasingly reshaping the attitudes of government toward public service efficiency and effectiveness locally and internationally. Hence, there is a corresponding need to cope with market pressures for techniques to produce greater management efficacy the public sector organization's aim to learn and emulate proven best practices of governance in the private sector so as to improve the service delivery system to the public at large. Sarawak's main challenge and opportunity lies in speeding up structural reforms to accelerate the state's transition to a high-income economy and a developed state and that the reforms need to focus on human capital development, liberalisation and enhanced competitive advantage in the economy.

The public are demanding for greater efficiencies and effectiveness and it is a responsibility of the public service to seek out processes that lead to the more efficient use of public money. Proven best practice of governance is a good practice that has been determined to be the best approach for many organizations worldwide, based on analysis of process and performance data. The State Statutory Bodies in Sarawak must continue to grow in applying a systematic method to finding best practices of governance in its specific form, use and taking into account the local environment and requirement. The existence of best practices of governance is very pertinent to ensure the achievement of excellent civil service delivery system in Sarawak, Malaysia and all countries in the world.

The findings and recommendations of this study aimed to assist the State Statutory Bodies to formulate strategies and strategic plans to enhance best practices of governance and level of services provided by

the State Statutory Bodies in Sarawak. Good governance will not only help to reduce corruption, fraud, abuse, wastage of scarce resources but will also enhance the economic development of Sarawak and economies wherever they are.

The comprehensive and extensive literature reviews on governance in the public sector in developing and developed countries clearly show the existence of factors in best practices of governance in the public and private sectors. This is supported by the findings of this research. In fact, the prime contribution of this study is the identification of the four factors on best practices of governance (Human Resource, Process, Control and Direction) and its effect on the quality / level of services in State Statutory Bodies in Sarawak. This identification of factors is very crucial as they had been proven empirically to have direct impact on best practices of governance and the quality / level of services in State Statutory Bodies in Sarawak. Among these four factors, the Human factor is clearly the predictor or the most significant factor due to the fact that no matter how good the systems, software and hardware are, a human person is necessary to operate them. This book shows that these four critical factors are interrelated and very much complement each other. This synergistic formation had given the maximum impact on the quality / level of services in the State Statutory Bodies in Sarawak.

This book also shows that there is a significant relationship between the factors in best practices of governance and the level of services. This implies that State Statutory Bodies in Sarawak need to realize the importance of the four factors in addressing the role of best practices of governance on the level of services given by State Statutory Bodies to its customers and stakeholders. Besides, the findings indicate that the success in addressing the factors in best practices of governance for State Statutory Bodies would eventually lead to higher level of services and thereby meeting or even exceeding customers and stakeholders' expectation.

Finally, this book recommend a framework of best practices of governance that can assist State Statutory Bodies in Sarawak in designing policies and action plan that can further improve the best practices of governance and higher level of services. The objectives of the propose framework of best practices of governance for State Statutory Bodies in Sarawak is to show clearly based on the empirical findings of this study the relationship between the factors in best practices of governance and the level of services given by the State Statutory Bodies to its customers. Good service comes from the heart and is reflected by sensitive attitude towards good customer service. The State Statutory Bodies must be prepared to deliver good customer service at all times, and with sincerity and wholeheartedly. The State Statutory Bodies always remember that good customer service or treating people well comes from the heart; it cannot be forced or faked as it involves sincerity on the doer's part. The State Statutory Bodies or even any organizations need to understand that being world-class does not begin and end with building world-class facilities, world-class management and working practices but above all else world-class services.

Thus, it is crystal clear that an holistic and comprehensive framework on best practices of governance shall have direct influence on the quality / level of services provided by State Statutory Bodies in Sarawak to its customers and stakeholders. The improvement in service delivery system will ensure that State Statutory Bodies will be able to achieve its Key Performance Indicators and thereby contributing to the competitive advantage of Sarawak and Malaysia in the global business environment.

Thank you.

[DATUK PATINGGI TAN SRI (DR) HAJI ADENAN BIN HAJI SATEM]